federal register

Wednesday
September 10, 1980

Part IV

Department of the Interior

Bureau of Land Management

Outer Continental Shelf, Eastern Gulf of Alaska; Oil and Gas Lease Sale No. 55

4310-84

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

OUTER CONTINENTAL SHELF, EASTERN GULF OF ALASKA

OIL AND GAS LEASE SALE NO. 55

1. Authority. This notice is published pursuant to the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331-1343), as amended (92 Stat. 629), and the regulations issued thereunder (43 CFR Part 3300).

2. Filing of Bids. Sealed bids will be received by the Manager, Alaska Outer Continental Shelf (OCS) Office, Bureau of Land Management, 620 East 10th Avenue, P.O. Box 1159, Anchorage, Alaska 99510. Bids may be delivered, either by mail or in person, to the above address until 4:30 p.m., October 20, 1980; or by personal delivery to Captain Cook Hotel, Discovery Room, 5th and K Streets, Anchorage, Alaska 99501 between the hours of 8:30 a.m., a.h.s.t. and 9:30 a.m., a.h.s.t., October 21, 1980. Bids received by the Manager later than the times and dates specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or withdrawal is received by the Manager prior to 9:30 a.m., a.h.s.t., October 21, 1980. All bids must be submitted and will be considered in accordance with applicable regulations, including 43 CFR Part 3300. The list of restricted joint bidders which applies to this sale was published in 45 FR 26827, April 21, 1980, as corrected in 45 FR 27836, April 24, 1980, and 45 FR 28822, April 30, 1980.

3. Method of Bidding. A separate bid in a sealed envelope, labeled "Sealed Bid for Oil and Gas Lease (insert number of tract), not to be opened until 10 a.m., a.h.s.t., October 21, 1980", must be submitted for each tract. A suggested form appears in 43 CFR Part 3300, Appendix A. Bidders are advised that tract numbers are assigned solely for administrative purposes and are not the same as block numbers found on official protraction diagrams. All bids received shall be deemed submitted for a numbered tract. Bidders must submit with each bid one-fifth of the cash bonus in cash or by cashier's check, bank draft, or certified check, payable to the order of the Bureau of Land Management. No bid for less than a full tract as described in paragraph 12 will be considered. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, as well as submit a sworn statement that the bidder is not disqualified under 43 CFR Subpart 3316. The suggested form for this statement to be used in joint bids appears in 43 CFR Part 3300, Appendix B. Other documents may be required of bidders under 43 CFR 3316.4. Bidders are warned against violation of 18 U.S.C. 1860, prohibiting unlawful combination or intimidation of bidders.

4. Bidding Systems. All leases awarded for this sale will provide for a yearly rental of $8 per hectare or fraction thereof. Leases awarded under 4(a) and (c) will provide for a minimum royalty of $8 per hectare or fraction thereof. The following systems will be utilized.

(a) Bonus Bidding with a Fixed Sliding Scale Royalty. Bids on tracts 55-138, 55-139, 55-159, 55-160, 55-161, 55-162, 55-182, 55-183, 55-184, 55-185, 55-195, 55-196, 55-205, 55-206, 55-207, 55-208, 55-218, 55-219, 55-228, 55-229, 55-230, 55-231, 55-326, 55-327, 55-328, 55-329, 55-330, 55-341, 55-342, 55-343, 55-344 and 55-345 must be submitted on a cash bonus bid basis with the percent royalty due in amount or value of production saved, removed or sold fixed according to the sliding scale formula

described below. This formula fixes the percent royalty at a level determined by the value of lease production during each calendar quarter. For purposes of determining the royalty percent due on production during a quarter, the value of production during the quarter will be adjusted for inflation as described below. The determination of the value of the production on which royalty is due will be made pursuant to 30 CFR 250.64.

The fixed sliding scale formula operates in the following way: when the quarterly value of production, adjusted for inflation, is less than or equal to $22.300636 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $22.300637 million, but less than or equal to $4793.351779 million, the royalty percent due on the unadjusted value or amount of production is given by

$$Rj = b[\ln (Vj/S)]$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved removed or sold in quarter j

b = 9.0

ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.5

When the adjusted quarterly value of production is equal to or greater than $4793.351780 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In determining the quarterly percent royalty due, Rj, the calculation will be carried to five decimal places (for example, 18.17612 percent). This calculation will incorporate the adjusted quarterly value of production, Vj, in millions of dollars, rounded to the sixth digit, i.e., to the nearest dollar (for example, 26.372765 millions of dollars).

The form of the sliding scale royalty schedule is illustrated in Figure 1. Note that the effective quarterly royalty rate depends upon the inflation adjusted quarterly value of production. However, this rate is applied to the unadjusted quarterly value of production to determine the royalty payments due.

Figure 1
Form of the Sliding Royalty Schedule

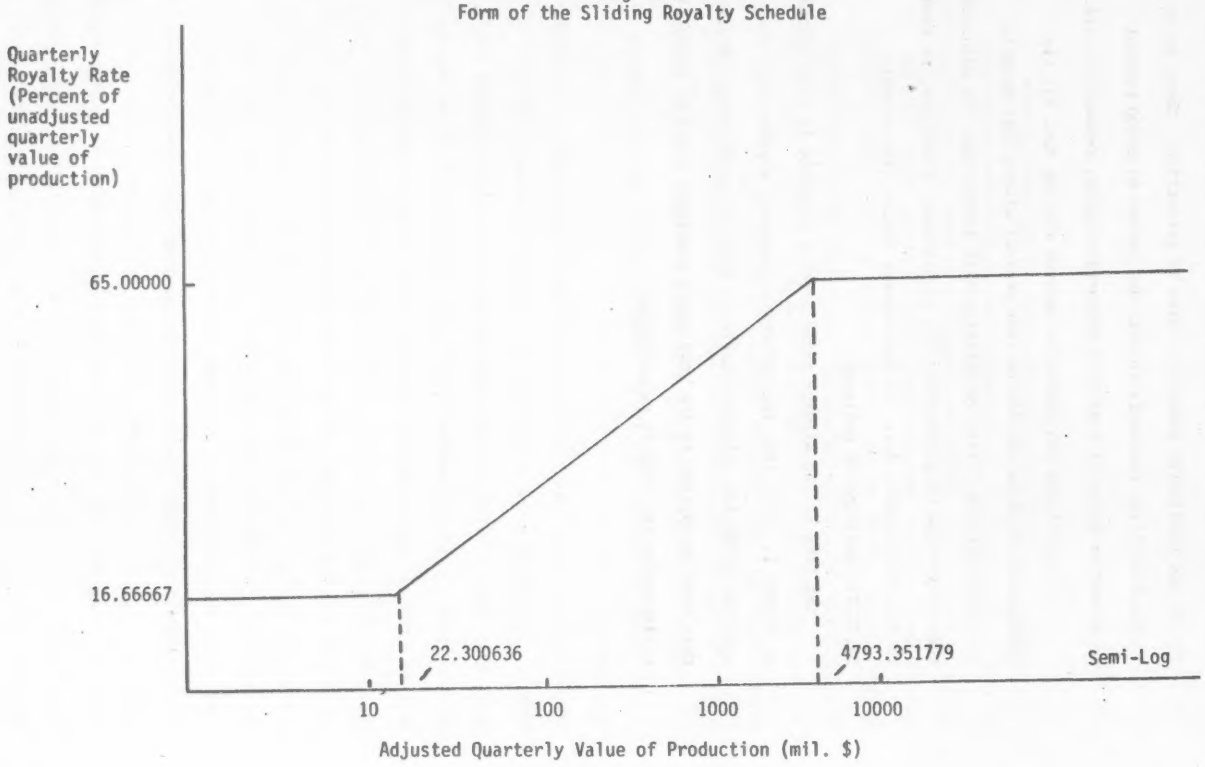

TABLE 1. HYPOTHETICAL QUARTERLY ROYALTY CALCULATIONS

(A) Actual Value of Quarterly Production (Millions of Dollars)	(B) GNP Fixed Weighted Price Index	(C) Inflation Factor[1]	(D) Adjusted Value of Quarterly Production[2] (Vj, Millions of $	(E) Percent Royalty Rate (Rj)	(F) Royalty Payment[3] (Millions of Dollars)
10.000000	200.0	4/3	7.500000	16.66667	1.666667
30.000000	200.0	4/3	22.500000	16.74677	5.024031
90.000000	200.0	4/3	67.500000	26.63428	23.970852
270.000000	200.0	4/3	202.500000	36.52179	98.608833
810.000000	200.0	4/3	607.500000	46.40930	375.915330
10.000000	250.0	5/3	6.000000	16.66667	1.666667
30.000000	250.0	5/3	18.000000	16.66667	5.000001
90.000000	250.0	5/3	54.000000	24.62599	22.163391
270.000000	250.0	5/3	162.000000	34.51350	93.186450
810.000000	250.0	5/3	486.000000	44.40101	359.648181

1 Column (B) divided by 150.0 (assumed value of GNP fixed weighted price index at time leases are issued).
2 Column (A) divided by Inflation Factor.
3 Column (A) times Column (E). All values are rounded for display purposes only.

In adjusting the quarterly value of production for use in calculating the percent royalty due on production during the quarter, the actual value of production will be adjusted to account for the effects of inflation by dividing the actual value of production by the following inflation adjustment factor. The inflation adjustment factor used will be the ratio of the GNP fixed weighted price index for the calendar quarter preceding the quarter of production to the value of that index for the quarter preceding the issuance of the lease. The GNP fixed weighted price index is published monthly in the Survey of Current Business by the Bureau of Economic Analysis, U.S. Department of Commerce. The percent royalty will be due and payable on the actual amount or value of production saved, removed, or sold as determined pursuant to 30 CFR 250.64. The timing of procedures for inflation adjustments and determinations of the royalty due will be specified at a later date. Table 1 provides hypothetical examples of quarterly royalty calculations using the sliding scale formula just described under two different values for the quarterly price index.

(b) Bonus Bidding with a Fixed Net Profit Share. Bids on tracts 55-78, 55-79, 55-80, 55-104, 55-105, 55-106, 55-130, 55-131, 55-132, 55-151, 55-152, 55-153, 55-163, 55-164, 55-174, 55-175, 55-176, 55-186, 55-187, 55-188, 55-197, 55-198, 55-199, 55-209, 55-210, 55-211, 55-212, 55-220, 55-221, 55-222, 55-232, 55-233, 55-234, 55-235, 55-251, 55-252, 55-253, 55-267, 55-268, 55-269, 55-283, 55-284, 55-285, 55-288, 55-289, 55-290, 55-291, 55-292, 55-293, 55-294, 55-295, 55-296, 55-297, 55-298, 55-299, 55-300, 55-301, 55-304, 55-305, 55-306, 55-307, 55-308, 55-309, 55-310, 55-311, 55-312, 55-313, 55-314, 55-315, 55-316, 55-317, 55-320, 55-321, 55-322, 55-323, 55-324, 55-325, 55-331, 55-332, 55-333, 55-335, 55-336, 55-337, 55-338, 55-339, 55-340, 55-346, and 55-347 must be submitted on a cash bonus basis with a fixed net profit share rate of 40 percent and a 1.5 capital recovery factor. The new profit share payment shall be calculated according to the Department of Energy regulation in 10 CFR 390 (45 FR 36784, May 30, 1980).

(c) Bonus Bidding with a Fixed Constant Royalty. Bids on the remaining tracts must be on a cash bonus basis with a fixed royalty of 16-2/3 percent.

5. Equal Opportunity. Each bidder must have submitted by 9:30 a.m., a.h.s.t., October 21, 1980, the certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, on the Compliance Report Certification Form, Form 1140-8 (November 1973), and the Affirmative Action Representation Form, Form 1140-7 (December 1971).

6. Bid Opening. Bids will be opened on October 21, 1980, beginning at 10 a.m., a.h.s.t., at the address stated in paragraph 2. The opening of the bids is for the sole purpose of publicly announcing and recording bids received and no bids will be accepted or rejected at that time. If the Department is prohibited for any reason from opening any bid before midnight, October 21, 1980, that bid will be returned unopened to the bidder as soon thereafter as possible.

7. Deposit of Payment. Any cash, cashier's checks, certified checks, or bank drafts submitted with a bid may be deposited in a suspense account in the Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

8. Withdrawal of Tracts. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid for that tract.

9. Acceptance or Rejection of Bids. The United States reserves the right to reject any and all bids for any tract. In any case, no bid for any tract will be accepted and no lease for any tract will be awarded to any bidder unless:

(a) The bidder has complied with all requirements of this notice and applicable regulations;

(b) The bid is the highest valid cash bonus bid; and

(c) The amount of the bid has been determined to be adequate by the Secretary of the Interior.

No bid will be considered for acceptance unless it offers a cash bonus in the amount of $62 or more per hectare or fraction thereof.

10. Successful Bidders. Each person who has submitted a bid accepted by the Secretary of the Interior will be required to execute copies of the lease specified below, pay the balance of the cash bonus bid together with the first year's annual rental and satisfy the bonding requirements of 43 CFR Subpart 3318 within the time provided in 43 CFR 3316.5.

11. Protraction Diagrams. Tracts offered for lease may be located on the following official protraction diagrams which are available from the Manager, Alaska Outer Continental Shelf Office, Bureau of Land Management, 620 East 10th Avenue, P.O. Box 1159, Anchorage, Alaska 99510, at $2 each.

(a) Outer Continental Shelf Official Protraction Diagram NO 7-2, Yakutat (approved 10/31/74)

(b) Outer Continental Shelf Official Protraction Diagram NO 7-4, (approved 9/22/75)

12. Tract descriptions. The tracts offered for bid are as follows:

NOTE—There may be gaps in the numbers of the tracts listed. Some of the blocks identified in the final environmental statement may not be included in this notice.

OCS OFFICIAL PROTRACTION DIAGRAM, YAKUTAT NO 7-2
(Approved 10/31/74)

Tract No.	Block No.	Description	Hectares
55-75	798	All	2304.00
55-76	799	All	2304.00
55-77	800	All	2304.00
55-78	801	All	2304.00
55-79	802	All	2304.00
55-80	803	All	2304.00
55-81	804	All	2304.00
55-82	805	All	2304.00
55-83	806	All	2304.00
55-84	807	All	2304.00
55-101	842	All	2304.00
55-102	843	All	2304.00
55-103	844	All	2304.00
55-104	845	All	2304.00
55-105	846	All	2304.00
55-106	847	All	2304.00
55-107	848	All	2304.00
55-108	849	All	2304.00
55-109	850	All	2304.00
55-110	851	All	2304.00
55-111	852	All	2304.00
55-127	886	All	2304.00
55-128	887	All	2304.00
55-129	888	All	2304.00
55-130	889	All	2304.00
55-131	890	All	2304.00
55-132	891	All	2304.00
55-133	892	All	2304.00
55-134	893	All	2304.00
55-135	894	All	2304.00
55-136	895	All	2304.00
55-137	896	All	2304.00
55-138	897	All	2304.00
55-139	898	All	2304.00
55-148	930	All	2304.00
55-149	931	All	2304.00
55-150	932	All	2304.00
55-151	933	All	2304.00
55-152	934	All	2304.00
55-153	935	All	2304.00
55-154	936	All	2304.00
55-155	937	All	2304.00
55-156	938	All	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM, YAKUTAT NO 7-2, continued

Tract No.	Block No.	Description	Hectares
55-157	939	All	2304.00
55-158	940	All	2304.00
55-159	941	All	2304.00
55-160	942	All	2304.00
55-161	943	All	2304.00
55-162	944	All	2304.00
55-163	945	All	2304.00
55-164	946	All	2304.00
55-172	975	All	2304.00
55-173	976	All	2304.00
55-174	977	All	2304.00
55-175	978	All	2304.00
55-176	979	All	2304.00
55-177	980	All	2304.00
55-178	981	All	2304.00
55-179	982	All	2304.00
55-180	983	All	2304.00
55-181	984	All	2304.00
55-182	985	All	2304.00
55-183	986	All	2304.00
55-184	987	All	2304.00
55-185	988	All	2304.00
55-186	989	All	2304.00
55-187	990	All	2304.00
55-188	991	All	2304.00
55-195	1019	All	2304.00
55-196	1020	All	2304.00
55-197	1021	All	2304.00
55-198	1022	All	2304.00
55-199	1023	All	2304.00
55-200	1024	All	2304.00
55-201	1025	All	2304.00
55-202	1026	All	2304.00
55-203	1027	All	2304.00
55-204	1028	All	2304.00
55-205	1029	All	2304.00
55-206	1030	All	2304.00
55-207	1031	All	2304.00
55-208	1032	All	2304.00
55-209	1033	All	2304.00
55-210	1034	All	2304.00
55-211	1035	All	2304.00
55-212	1036	All	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4
(Approved 9/22/75)

Tract No.	Block No.	Description	Hectares
55-218	7	All	2304.00
55-219	8	All	2304.00
55-220	9	All	2304.00
55-221	10	All	2304.00
55-222	11	All	2304.00
55-223	12	All	2304.00
55-224	13	All	2304.00
55-225	14	All	2304.00
55-226	15	All	2304.00
55-227	16	All	2304.00
55-228	17	All	2304.00
55-229	18	All	2304.00
55-230	19	All	2304.00
55-231	20	All	2304.00
55-232	21	All	2304.00
55-233	22	All	2304.00
55-234	23	All	2304.00
55-235	24	All	2304.00
55-240	54	All	2304.00
55-241	55	All	2304.00
55-242	56	All	2304.00
55-243	57	All	2304.00
55-244	58	All	2304.00
55-245	59	All	2304.00
55-246	60	All	2304.00
55-247	61	All	2304.00
55-248	62	All	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Hectares
55-249	63	All	2304.00
55-250	64	All	2304.00
55-251	65	All	2304.00
55-252	66	All	2304.00
55-253	67	All	2304.00
55-254	68	All	2304.00
55-255	69	All	2304.00
55-256	98	All	2304.00
55-257	99	All	2304.00
55-258	100	All	2304.00
55-259	101	All	2304.00
55-260	102	All	2304.00
55-261	103	All	2304.00
55-262	104	All	2304.00
55-263	105	All	2304.00
55-264	106	All	2304.00
55-265	107	All	2304.00
55-266	108	All	2304.00
55-267	109	All	2304.00
55-268	110	All	2304.00
55-269	111	All	2304.00
55-270	112	All	2304.00
55-271	113	All	2304.00
55-272	142	All	2304.00
55-273	143	All	2304.00
55-274	144	All	2304.00
55-275	145	All	2304.00
55-276	146	All	2304.00
55-277	147	All	2304.00
55-278	148	All	2304.00
55-279	149	All	2304.00
55-280	150	All	2304.00
55-281	151	All	2304.00
55-282	152	All	2304.00
55-283	153	All	2304.00
55-284	154	All	2304.00
55-285	155	All	2304.00
55-286	156	All	2304.00
55-287	157	All	2304.00
55-288	186	All	2304.00
55-289	187	All	2304.00
55-290	188	All	2304.00
55-291	189	All	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Hectares
55-292	190	All	2304.00
55-293	191	All	2304.00
55-294	192	All	2304.00
55-295	193	All	2304.00
55-296	194	All	2304.00
55-297	195	All	2304.00
55-298	196	All	2304.00
55-299	197	All	2304.00
55-300	198	All	2304.00
55-301	199	All	2304.00
55-302	200	All	2304.00
55-303	201	All	2304.00
55-304	230	All	2304.00
55-305	231	All	2304.00
55-306	232	All	2304.00
55-307	233	All	2304.00
55-308	234	All	2304.00
55-309	235	All	2304.00
55-310	236	All	2304.00
55-311	237	All	2304.00
55-312	238	All	2304.00
55-313	239	All	2304.00
55-314	240	All	2304.00
55-315	241	All	2304.00
55-316	242	All	2304.00
55-317	243	All	2304.00
55-318	244	All	2304.00
55-320	274	All	2304.00
55-321	275	All	2304.00
55-322	276	All	2304.00
55-323	277	All	2304.00
55-324	278	All	2304.00
55-325	279	All	2304.00
55-326	280	All	2304.00
55-327	281	All	2304.00
55-328	282	All	2304.00
55-329	283	All	2304.00
55-330	284	All	2304.00
55-331	285	All	2304.00
55-332	286	All	2304.00
55-333	287	All	2304.00
55-335	318	All	2304.00
55-336	319	All	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Hectares
55-337	320	All	2304.00
55-338	321	All	2304.00
55-339	322	All	2304.00
55-340	323	All	2304.00
55-341	324	All	2304.00
55-342	325	All	2304.00
55-343	326	All	2304.00
55-344	327	All	2304.00
55-345	328	All	2304.00
55-346	329	All	2304.00
55-347	330	All	2304.00

13. Lease Terms and Stipulations. All leases issued as a result of this sale will be for an initial term of 5 years. Leases issued as a result of this sale will be on form 3300-1 (September 1978), available from the Manager, Alaska Outer Continental Shelf Office, at the address stated in paragraph 2.

(a) For leases resulting from this sale for tracts offered on a cash bonus basis with fixed sliding scale royalty, listed in paragraph 4(a), Form 3300-1 will be amended as follows:

Sec. 6. Royalty on Production. The lessee agrees to pay the lessor a royalty of that percent in amount or value of production saved, removed or sold from the leased area as determined by the sliding scale royalty formula as follows. When the quarterly value of production, adjusted for inflation, is less than or equal to $22.300636 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $22.300637 million, but less than or equal to $4793.351779 million, the royalty percent due on the unadjusted value or amount of production is given by

$$Rj = b[\ln (Vj/S)]$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j

b = 9.0

ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.5

When the adjusted quarterly value of production is equal to or greater than $4793.351780 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In determining the quarterly percent royalty due, Rj, the calculation will be carried to five decimal places (for example, 18.17612 percent). This calculation will incorporate the adjusted quarterly value of production, Vj, in millions of dollars, rounded to the sixth digit, i.e., to the nearest dollar (for example, 26.372765 millions of dollars). Gas of all kinds (except helium) is subject to royalty. The lessor shall determine whether production royalty shall be paid in amount or value.

(b) For leases resulting from this sale for tracts offered on a cash bonus basis with a fixed net profit share, listed in paragraph 4(b), Form 3300-1 will be amended as follows:

Sec. 4 Rentals. The phrase "which commences prior to a discovery in paying quantities of oil or gas on the leased area" is hereby deleted and replaced by "which commences prior to the date the first profit share payment becomes due."

Sec. 5. Minimum Royalty. Hereby deleted.

Sec. 6. Royalty on Production. Hereby replaced by Fixed Net Profit Share. The lessee agrees to pay a net profit share rate of 40 percent with a 1.50 capital recovery factor, calculated pursuant to 10 CFR 390.

(c) Except as otherwise noted, the following stipulations will be included in each lease resulting from this proposed sale. In the following stipulations the term DCM refers to the Deputy Conservation Manager, Field Operations, Alaska Region, U.S. Geological Survey and the term Manager refers to the Manager of the Alaska OCS Office of the Bureau of Land Management.

Stipulation No. 1.

If the DCM, having reason to believe that a site, structure, or object of historical or archaeological significance, hereinafter referred to as a "cultural resource", may exist in the lease area, gives the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall upon receipt of such notice comply with the following requirements:

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including but not limited to, well drilling and pipeline or platform placement, hereinafter in this stipulation referred to as "operation", the lessee shall conduct remote sensing surveys to determine the potential existence of any cultural resource that may be affected by such operations. All data produced by such remote sensing surveys, as well as other pertinent natural and cultural environmental data, shall be examined by a qualified marine survey archaeologist to determine if indications are present suggesting the existence of a cultural resource that may be adversely affected by such lease operation. A report of this survey and assessment prepared by the marine survey archaeologist shall be submitted by the lessee to the DCM and the Manager for review.

If such cultural resource indicators are present, the lessee shall (1) locate the site of such operation so as not to adversely affect the identified location; or (2) establish, to the satisfaction of the DCM, on the basis of further archaeological investigation conducted by a qualified marine survey archaeologist or underwater archaeologist using such survey equipment and techniques as deemed necessary by the DCM either that such operation shall not adversely affect the location identified or that the potential cultural resource suggested by the occurrence of the indicators does not exist.

A report of this investigation prepared by the marine survey archaeologist or underwater archaeologist shall be submitted to the DCM and the Manager, for their review. Should the DCM determine that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the DCM has given directions as to its preservation.

The lessee agrees that if any site, structure, or object of historical or archaeological significance should be discovered during the conduct of any operations on the lease area, he shall report immediately such findings to the DCM and make every reasonable effort to preserve and protect the cultural resource from damage until the DCM has given directions as to its preservation.

Stipulation No. 2.

The lessee shall include in any exploration and development plans submitted under 30 CFR 250.34 a proposed environmental training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the DCM. The program shall be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program shall be formulated and implemented by qualified instructors experienced in pertinent fields of study, and shall employ effective methods to insure that personnel understand and use techniques necessary to preserve archaeological, geological, and biological resources including bird and sea mammal rookeries, and insuring avoidance and non-harassment of wildlife resources. The program shall also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating.

The lessee shall also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

Stipulation No. 3.

Pipelines will be required, (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to any recommendation of any intergovernmental coordinating committee.

All pipelines, including both flow lines and gathering lines for oil and gas, shall be designed and constructed to provide for adequate protection from water currents, storms, geohazards, and other hazards as determined on a case-by-case basis.

Following the development of sufficient pipeline capacity, no crude oil will be transported by surface vessel from offshore production sites, except in the case of emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the DCM.

Where the three criteria set forth in the first sentence of this stipulation are not met and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore from the leased area will conform with all standards established for such vessels, pursuant to the Ports and Waterways Safety Act of 1972, as amended (46 U.S.C. 391a).

Stipulation No. 4.

(a) Wells: Subsea well-heads and temporary abandonments, or suspended operations that leave protrusions above the sea floor, shall be protected, if feasible, in such a manner as to allow commercial trawl

gear to pass over the structure without snagging or otherwise damaging the structure or the fishing gear. Latitude and longitude coordinates of these structures along with water depths, shall be submitted to the DCM. The coordinates of such structures will be determined by the lessee utilizing state-of-the-art navigation systems with accuracy of at least ± 50 ft (15.25 m) at 200 mi (322 kms).

(b) Pipelines: All pipelines, unless buried, including gathering lines, shall have a smooth-surface design. In the event that an irregular pipe surface is unavoidable due to the need for valves, anodes or other protrusions, they shall be shielded in such a manner as to allow trawl gear to pass over the object without snagging or otherwise damaging the structure or the fishing gear.

Stipulation No. 5.

(To be included only in the leases resulting from this sale for the sliding scale royalty tracts listed in paragraph 4 of this notice)

(a) The royalty rate on production saved, removed or sold from this lease is subject to consideration for reduction under the same authority that applies to all other oil and gas leases on the Outer Continental Shelf (30 CFR 250.21). The Director, U.S. Geological Survey, may grant a reduction for only one year at a time and reduction of royalty rates will not be approved unless production has been under way for one year or more.

(b) Although the royalty rate specified in section 6(a) of this lease or as subsequently modified in accordance with applicable regulations and stipulations is applicable to all production under this lease, not more than 16-2/3 percent of the production saved, removed or sold from the lease area may be taken as royalty in amount, except as provided in sec. 15(d); the royalty on any portion of the production saved, removed or sold from the lease in excess of 16-2/3 percent may only be taken in value of the production saved, removed or sold from the lease area.

Stipulation No. 6

No underwater blasting using high velocity explosives for the purposes of seismic exploration may be conducted. As used in this stipulation, "high velocity explosives" are those explosives with a burning rate greater than 4,500 fps or creating a pressure curve with a sharp spike and rise time of less than 6 milliseconds.

14. Information to Lessees. Bidders are advised that during the conduct of all activities related to leases issued as a result of this lease sale, the lessee and its agents, contractors and subcontractors will be subject to the provisions of the Marine Mammal Protection Act of 1972, the Endangered Species Act of 1973, as amended, and International Treaties. The lessee should contact the U.S. Fish and Wildlife Service and/or the National Marine Fisheries Service, as appropriate, regarding potential impacts of lease activities with regard to these laws.

To reduce the impacts of aircraft disturbance at seabird colonies and marine mammal rookeries along the coast, a distance of at least one-half mile from the coastline and an altitude of 1500 feet should be maintained from Yakutat Bay to Dry Bay during the period of May 1 to September 15. To provide similar protection to waterfowl nesting and staging in Yakutat Bay and on the Yakutat forelands, a 1,500-foot altitude should be maintained over these areas during April 1 to October 31. The

DCM shall identify the critical areas in the Yakutat forelands to lessees and operators. The lessee is advised that all violations may be reported to the U.S. Fish and Wildlife Service, National Marine Fisheries Service, or the Alaska Department of Fish and Game, an appropriate, for disposition. Human safety will take precedence over the provisions of these restrictions.

Some of the tracts offered for lease may fall in areas which may be included in fairways, precautionary zones, or traffic separation schemes which may be established among other reasons, for the purpose of protecting commercial fisheries. Bidders are advised that the United States reserves the right to designate necessary fairways through leased tracts pursuant to the Ports and Waterways Safety Act, as amended (33 U.S.C. 1223 (c)).

Corps of Engineers permits are required for construction of any artificial islands, installations and other devices permanently or temporarily attached to the seabed located on the Outer Continental Shelf in accordance with section 4(e) of the Outer Continental Shelf Lands Act of 1953, as amended.

Bidders are advised that the Departments of the Interior and Transportation have entered into a Memorandum of Understanding, dated May 6, 1976, concerning the design, installation, operation and maintenance of offshore pipelines, Bidders should consult both Departments for regulations applicable to offshore pipelines.

Bidders are also advised that in accordance with sec. 16 of each lease offered at this sale, the lessor may require a lessee to operate under a unit, pooling or drilling agreement, and that the lessor will give particular considerations to requiring unitization in instances where one or more reservoirs underlie two or more leases with either a different royalty rate or a royalty rate based on a sliding scale, or a fixed net profit share.

Bidders for these tracts should recognize that the Department of Energy is authorized under section 302 (b) and (c) of the Department of Energy Organization Act, to establish production rates for all Federal oil and gas leases.

17. OCS Orders. Operations on all leases resulting from this sale will be conducted in accordance with the provisions of all Gulf of Alaska Orders, as of their effective date, and any other applicable OCS Order as it becomes effective.

Ed Hastey
Director, Bureau of Land Management
Associate

Date: 9-4-80

Approved:

Secretary of the Interior

[FR Doc. 80-27736 Filed 9-9-80; 8:45 am]
BILLING CODE 4310-84-C

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Outer Continental Shelf, Eastern Gulf of Alaska

Notice of Bidding Systems, Sale No. 55

Sec. 8(a)(8) [43 U.S.C. 1337 (a)(8)] of the Outer Continental Shelf (OCS) Lands Act, as amended, requires that, at least 30 days before any lease sale, a notice be submitted to the Congress and published in the Federal Register:

(A) identifying the bidding systems to be used and the reasons for such use; and

(B) designating the tracts to be offered under each bidding system and the reasons for such designation.

This notice is published pursuant to these requirements.

A. Bidding systems to be used. In OCS Sale No. 55, tracts will be offered under the following three bidding systems as authorized under Sec. 8(a)(1) [43 U.S.C. 1337 (a)(1)]: (1) bonus bidding with a fixed sliding scale royalty on 32 tracts, (2) bonus bidding with a fixed net profit share on 88 tracts, and (3) bonus bidding with a fixed 16 2/3 percent royalty on 90 tracts.

(1) Bonus Bidding with Sliding Scale Royalty. This system is authorized by Sec. (8)(a)(1)(c) of the OCS Lands Act, as amended. The use of the sliding scale royalty system was introduced in OCS Sale 43 (March 28, 1978) and used again in the last nine OCS lease sales.

The sliding scale is designed to establish higher royalty rates for larger reservoirs with higher production rates. As such, the expected bonus is reduced compared to a fixed one-sixth royalty system. This may improve competition for leases, and also tends to reduce the likelihood of production losses that could result if higher royalty rates are set by other means, such as royalty bidding, prior to reservoir delineation and production. The sliding scale formula provided for Sale 55 is based on the current assumed range of costs and wellhead prices for this area.

The sliding scale used in Sales #43 and #45 was linear in form. Although this form is easy to describe it has three disadvantages which may affect the socially optimal level of production. At certain levels of production, a linear schedule causes erratic fluctuations in the royalty charged on increments in output which may lead producers to make socially non-optimal production decisions in order to minimize these royalty impacts on net revenues. Marginal royalty rates also can reach very high levels even though the average rates are low. In addition, because production costs are non-linear it can be shown that the royalty rate schedule should conform more closely to the functional form of these costs in order to minimize production losses from non-development of otherwise profitable tracts.

The fixed sliding scale formula operates in the following way: when the quarterly value of production, adjusted for inflation, is less than or equal to $22.300636 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $22.300637 million, but less than or equal to $4793.351779 million, the royalty percent due on the unadjusted value is given by the formula

$$Rj = b(\ln (Vj/S))$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j

b = 9.0

ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.5

When the adjusted quarterly value of production is equal to or greater than $4793.351780 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In adjusting the quarterly value of production for use in calculating the percent royalty due on production during the quarter, the actual value of production will be adjusted to account for the effects of inflation by dividing the actual value of production by the following inflation adjustment factor. The inflation adjustment factor used will be the ratio of the GNP fixed weighted price index for the calendar quarter preceding the quarter of production to the value of that index for the quarter preceding the issuance of the lease. The GNP fixed weighted price index is published monthly in the "Survey of Current Business," by the Bureau of Economic Analysis, U.S. Department of Commerce. The percent royalty will be due and payable on the actual amount or value of production saved, removed, or sold.

(2) Bonus Bidding with a Fixed Net Profit Share. This system is authorized by Sec. 8(a)(1)(D) of the OCS Lands Act, as amended. Sale 55 will be the second test of this bidding system, following Sale A62, which was established by Department of Energy (DOE) regulations effective May 14, 1980. This fixed net profit share system is intended to increase competition by generating greater contingency payments to the Government and thereby reducing the initial cash bonus. It is designed to increase the volume of production, because certain allowable capital costs may be deducted prior to any liability for profit share payments. In addition, the system may foster the development of marginal fields when compared to a royalty system since the government shares more of the risk and the lessees incremental costs are lower in the presence of a capital recovery.

The initial experiment with a profit share system uses cash bonus as the bid variable principally to avoid percentage bids at too high levels which would make future development either economically inefficient or simply uneconomic. In addition, it is easier to administer and unitize adjacent tracts with similar profit share rates. Furthermore, a fixed profit share better assures that the most efficient firms who can produce at lower costs are more likely to obtain leases than would be the case if it were possible for less efficient firms to simply bid away higher percentages of lower profits.

Firms will be permitted to recover a factor of 1.50 over their actual allowable costs before any profit share payments are due. The profit share rate selected for this sale is 40 percent. These parameters were selected on the basis of DOE and DOI studies regarding the effect on bonuses, profit-share payments, government receipts, gross production, minimal economic tract sizes, and particularly on the incentive to alter the production profile.

(3) Bonus Bidding with a 16 2/3 Percent Royalty. This system is authorized by Sec. 8(a)(1)(A) of the OCS Lands Act, as amended. This relatively low royalty system has been used extensively since the passage of the OCS Lands Act in 1953 and results in greater risks to the lessee from finding a dry hole, but more rewards (i.e., lower contingency payments to the government) if a commercial field is discovered. The use of this system will also provide data to compare the performance of the other alternative systems.

B. Designation of Tracts. The selection of tracts to be offered under the three systems was based on the following factors:

(1) Lease terms on adjacent tracts were considered in order to reduce administrative costs and barriers to unitization, and to enhance orderly development of each field.

(2) A sufficient number of tracts was needed to permit valid statistical analysis while limiting the risks of losses caused by unforseen problems which could arise in the use of any new bidding system. The number of tracts must also be consistent with the requirements of Sec. 8(a)(5)(B) of the OCS Lands Act, as amended.

(3) The range and distribution of the characteristics of tracts were to be comparable for statistical purposes for each system. Such characteristics include estimated resources, water depth, structure depth, favorable vs. unfavorable location of tracts on structures, and the location of tracts across trends.

The enclosed list shows the particular system selected for each tract.

Enclosure

Ed Hastey
Director, Bureau of Land Management

Associate

Approved:

Cecil D. Andrus
Secretary of the Interior

SEP 4 1980

OCS OFFICIAL PROTRACTION DIAGRAM, YAKUTAT NO 7-2
(Approved 10/31/74)

Tract No.	Block No.	Description	Bidding System[a/]	Hectares
55-75	798	All	FS	2304.00
55-76	799	All	FS	2304.00
55-77	800	All	FS	2304.00
55-78	801	All	PS	2304.00
55-79	802	All	PS	2304.00
55-80	803	All	PS	2304.00
55-81	804	All	FS	2304.00
55-82	805	All	FS	2304.00
55-83	806	All	FS	2304.00
55-84	807	All	FS	2304.00
55-101	842	All	FS	2304.00
55-102	843	All	FS	2304.00
55-103	844	All	PS	2304.00
55-104	845	All	PS	2304.00
55-105	846	All	PS	2304.00
55-106	847	All	FS	2304.00
55-107	848	All	FS	2304.00
55-108	849	All	FS	2304.00
55-109	850	All	FS	2304.00
55-110	851	All	FS	2304.00
55-111	852	All	FS	2304.00
55-127	886	All	FS	2304.00
55-128	887	All	FS	2304.00
55-129	888	All	PS	2304.00
55-130	889	All	PS	2304.00
55-131	890	All	PS	2304.00
55-132	891	All	FS	2304.00
55-133	892	All	FS	2304.00
55-134	893	All	FS	2304.00
55-135	894	All	FS	2304.00
55-136	895	All	FS	2304.00
55-137	896	All	SS	2304.00
55-138	897	All	SS	2304.00
55-139	898	All	FS	2304.00
55-148	930	All	FS	2304.00
55-149	931	All	FS	2304.00
55-150	932	All	PS	2304.00
55-151	933	All	PS	2304.00
55-152	934	All	PS	2304.00
55-153	935	All	FS	2304.00
55-154	936	All	FS	2304.00
55-155	937	All	FS	2304.00
55-156	938	All		

OCS OFFICIAL PROTRACTION DIAGRAM, YAKUTAT NO 7-2, continued

Tract No.	Block No.	Description	Bidding System	Hectares
55-157	939	All	FS	2304.00
55-158	940	All	FS	2304.00
55-159	941	All	SS	2304.00
55-160	942	All	SS	2304.00
55-161	943	All	SS	2304.00
55-162	944	All	SS	2304.00
55-163	945	All	PS	2304.00
55-164	946	All	PS	2304.00
55-172	975	All	FS	2304.00
55-173	976	All	FS	2304.00
55-174	977	All	PS	2304.00
55-175	978	All	PS	2304.00
55-176	979	All	PS	2304.00
55-177	980	All	PS	2304.00
55-178	981	All	FS	2304.00
55-179	982	All	FS	2304.00
55-180	983	All	FS	2304.00
55-181	984	All	FS	2304.00
55-182	985	All	SS	2304.00
55-183	986	All	SS	2304.00
55-184	987	All	SS	2304.00
55-185	988	All	SS	2304.00
55-186	989	All	PS	2304.00
55-187	990	All	PS	2304.00
55-188	991	All	PS	2304.00
55-195	1019	All	SS	2304.00
55-196	1020	All	SS	2304.00
55-197	1021	All	PS	2304.00
55-198	1022	All	PS	2304.00
55-199	1023	All	PS	2304.00
55-200	1024	All	PS	2304.00
55-201	1025	All	FS	2304.00
55-202	1026	All	FS	2304.00
55-203	1027	All	FS	2304.00
55-204	1028	All	FS	2304.00
55-205	1029	All	SS	2304.00
55-206	1030	All	SS	2304.00
55-207	1031	All	SS	2304.00
55-208	1032	All	SS	2304.00
55-209	1033	All	PS	2304.00
55-210	1034	All	PS	2304.00
55-211	1035	All	PS	2304.00
55-212	1036	All	PS	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4
(Approved 9/22/75)

Tract No.	Block No.	Description	Bidding System	Hectares
55-218	7	All	SS	2304.00
55-219	8	All	SS	2304.00
55-220	9	All	PS	2304.00
55-221	10	All	PS	2304.00
55-222	11	All	PS	2304.00
55-223	12	All	FS	2304.00
55-224	13	All	FS	2304.00
55-225	14	All	FS	2304.00
55-226	15	All	FS	2304.00
55-227	16	All	FS	2304.00
55-228	17	All	SS	2304.00
55-229	18	All	SS	2304.00
55-230	19	All	SS	2304.00
55-231	20	All	SS	2304.00
55-232	21	All	PS	2304.00
55-233	22	All	PS	2304.00
55-234	23	All	PS	2304.00
55-235	24	All	PS	2304.00
55-240	54	All	FS	2304.00
55-241	55	All	FS	2304.00
55-242	56	All	FS	2304.00
55-243	57	All	FS	2304.00
55-244	58	All	FS	2304.00
55-245	59	All	FS	2304.00
55-246	60	All	FS	2304.00
55-247	61	All	FS	2304.00
55-248	62	All	FS	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Bidding System	Hectares
55-249	63	All	FS	2304.00
55-250	64	All	FS	2304.00
55-251	65	All	FS	2304.00
55-252	66	All	FS	2304.00
55-253	67	All	FS	2304.00
55-254	68	All	FS	2304.00
55-255	69	All	FS	2304.00
55-256	98	All	FS	2304.00
55-257	99	All	FS	2304.00
55-258	100	All	FS	2304.00
55-259	101	All	FS	2304.00
55-260	102	All	FS	2304.00
55-261	103	All	FS	2304.00
55-262	104	All	FS	2304.00
55-263	105	All	FS	2304.00
55-264	106	All	FS	2304.00
55-265	107	All	FS	2304.00
55-266	108	All	FS	2304.00
55-267	109	All	PS	2304.00
55-268	110	All	PS	2304.00
55-269	111	All	PS	2304.00
55-270	112	All	FS	2304.00
55-271	113	All	FS	2304.00
55-272	142	All	FS	2304.00
55-273	143	All	FS	2304.00
55-274	144	All	FS	2304.00
55-275	145	All	FS	2304.00
55-276	146	All	FS	2304.00
55-277	147	All	FS	2304.00
55-278	148	All	FS	2304.00
55-279	149	All	FS	2304.00
55-280	150	All	FS	2304.00
55-281	151	All	FS	2304.00
55-282	152	All	FS	2304.00
55-283	153	All	PS	2304.00
55-284	154	All	PS	2304.00
55-285	155	All	PS	2304.00
55-286	156	All	FS	2304.00
55-287	157	All	FS	2304.00
55-288	186	All	PS	2304.00
55-289	187	All	PS	2304.00
55-290	188	All	PS	2304.00
55-291	189	All	PS	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Bidding System	Hectares
55-292	190	All	PS	2304.00
55-293	191	All	PS	2304.00
55-294	192	All	PS	2304.00
55-295	193	All	PS	2304.00
55-296	194	All	PS	2304.00
55-297	195	All	PS	2304.00
55-298	196	All	PS	2304.00
55-299	197	All	PS	2304.00
55-300	198	All	PS	2304.00
55-301	199	All	PS	2304.00
55-302	200	All	FS	2304.00
55-303	201	All	FS	2304.00
55-304	230	All	PS	2304.00
55-305	231	All	PS	2304.00
55-306	232	All	PS	2304.00
55-307	233	All	PS	2304.00
55-308	234	All	PS	2304.00
55-309	235	All	PS	2304.00
55-310	236	All	PS	2304.00
55-311	237	All	PS	2304.00
55-312	238	All	PS	2304.00
55-313	239	All	PS	2304.00
55-314	240	All	PS	2304.00
55-315	241	All	PS	2304.00
55-316	242	All	PS	2304.00
55-317	243	All	PS	2304.00
55-318	244	All	FS	2304.00
55-320	274	All	PS	2304.00
55-321	275	All	PS	2304.00
55-322	276	All	PS	2304.00
55-323	277	All	PS	2304.00
55-324	278	All	PS	2304.00
55-325	279	All	PS	2304.00
55-326	280	All	SS	2304.00
55-327	281	All	SS	2304.00
55-328	282	All	SS	2304.00
55-329	283	All	SS	2304.00
55-330	284	All	SS	2304.00
55-331	285	All	PS	2304.00
55-332	286	All	PS	2304.00
55-333	287	All	PS	2304.00
55-335	318	All	PS	2304.00
55-336	319	All	PS	2304.00

OCS OFFICIAL PROTRACTION DIAGRAM NO 7-4, continued

Tract No.	Block No.	Description	Bidding System	Hectares
55-337	320	All	PS	2304.00
55-338	321	All	PS	2304.00
55-339	322	All	PS	2304.00
55-340	323	All	PS	2304.00
55-341	324	All	SS	2304.00
55-342	325	All	SS	2304.00
55-343	326	All	SS	2304.00
55-344	327	All	SS	2304.00
55-345	328	All	SS	2304.00
55-346	329	All	PS	2304.00
55-347	330	All	PS	2304.00

a/ FS is one-sixth fixed royalty system

SS is sliding scale royalty system

PS is fixed net profit share system

[FR Doc. 80-27737 Filed 9-8-80; 8:45 am]
BILLING CODE 4310-84-C